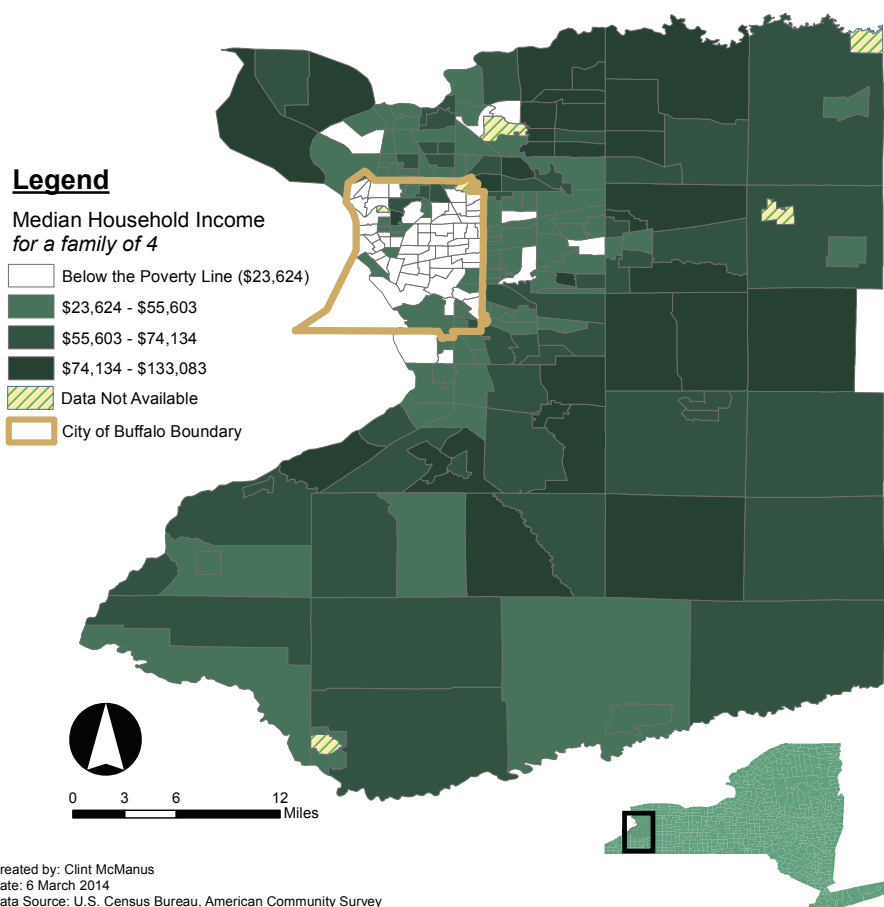


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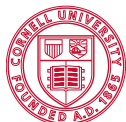
CASE STUDY 3 - MARCH 2014

FISCAL CHALLENGES AND OPPORTUNITIES

An Examination of Fiscal Conditions, Innovations, and Regional Strategies in the City of Buffalo & Erie County



Erie County Median Household Income
by Census Tract, 2012



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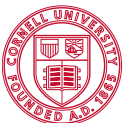
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Executive Summary

Once a thriving industrial center, the City of Buffalo, New York, has experienced declines in its population and economic base since the 1950s. The situation reached a boiling point in the early 2000s when the City found itself on the brink of fiscal insolvency. To prevent bankruptcy, the State of New York installed a financial control board to oversee Buffalo's finances. The Control Board took drastic measures, which included a wage freeze, City-wide hiring freeze, reducing the workforce and cutting essential services. Despite recording fiscal success, the Control Board can be criticized for not focusing enough on structural issues like poverty and demographics, which impact the long-term sustainability of Buffalo's fiscal health.

This study, which is informed through multiple perspectives and an analysis of the City's finances, including a brief look at the larger Erie County area, reveals that the City endured challenging economic periods, which severely curtailed its ability to raise revenues, and forced it to cut expenditures. These difficulties led to innovations that included inter-municipal cooperation, and partnerships with non-profits that helped maintain continued provision of these services in the face of fiscal cuts. At present, the City draws a major share of its revenues from State aid, sales tax, and property taxes. While State aid and property taxes have been declining in real terms, sales tax shows an increasing trend, showing its importance in inter-municipal economic development initiatives. A major share of the City's budget is spent on public safety and employee benefits. The City's dependent school district is also fiscally strained as evidenced by low enrollments, rising expenditures, and increases in the number of charter schools. These have

adverse effects on the academic success of Buffalo's children. Although the City's debt outstanding has been declining in real terms in recent years, its continued reliance on fund balances to close budgetary gaps is a cause for concern. The City is enmeshed within a larger region that includes the suburbs. Thus, the City of Buffalo, and Erie County have taken a holistic approach to overcome the fiscal challenges in their region. Some current innovations include:

- Renewed commitments to fund programs that the people value such as cultural activities, parks and recreation, social and community services through the "People's Mandate;"
- Erie County's focus on regional economic development initiatives such as advancing education, and developing workforce skills in those sectors that are presently growing in the region, as well as marketing the Buffalo region to attract investment from Canada;
- The legacy of social unionism has resulted in the formation of new non-profit networks and citizen coalitions that are actively engaged in long-term economic and community development through partnerships with the government for education, social services, and neighborhood revitalization ("Open Buffalo" is one such civic initiative that shows great promise); and,
- A growing embrace of the idea of regionalism through "One Region Forward," and inter-municipal cooperation for the holistic betterment of the community and neighborhood revitalization through initiatives like the regional land bank.

1

Introduction

At the beginning of the 20th century, the City of Buffalo was one of the wealthiest cities in the United States with a thriving industrial economy that produced a range of goods from flour, iron and steel to hydroelectric power. To this day, its grand architecture symbolizes the power of its industries. The City's economy has weathered tremendously difficult periods through suburbanization, deindustrialization, and a decline in its tax-base. Much of Buffalo's private sector deindustrialized and its people moved into the suburbs or left the region altogether to migrate to other growing parts of the country such as the Sunbelt. The City's budget disintegrated as the economy shrank and its citizens started to migrate. Economic disinvestment and fiscal crisis often occur simultaneously and such situations are important to assess and learn from, especially in looking towards the fiscal future and challenges that Upstate cities face. We need to reexamine frequently cited and presently deployed solutions to curb fiscal crises in Upstate cities such as downsizing and cuts in employee wages, benefits, and pensions; property tax caps; and privatization of public services. Going forward, there need to be nuanced solutions that take on a more holistic outlook, which account for the wishes of existing residents, the sustainability of budget strategies, and the long-term prosperity of the region.

In this report we examine Buffalo's demographic, economic, and fiscal situation based on data obtained from various primary and secondary sources, including responses that were adopted by the State and the City. Given the interdependence between the City and its surrounding region, we include Erie County in our analysis. Our analysis is also focused on issues that make Buffalo unique compared to the other cities in Upstate New York in order to provide context for possible solutions and strategies.

Owing to its strong industrial base, Buffalo was historically a center of organized labor activity. In contrast to the conventional confrontational relationship between public-sector unions and the city, unions in Buffalo were extremely proactive and started economic development initiatives. A second unique aspect about Buffalo is the fact that it was fiscally governed by a State-appointed financial Control Board, called the Buffalo Fiscal Stability Authority (BFSA) from 2003 to 2012¹. As a related third issue, the City of Buffalo downsized its City government significantly, and began to increasingly rely on inter-municipal cooperation and privatization for service provision. In addition to

¹ The BFSA went into an advisory status in 2012, which meant that it no longer had the authority to impose a wage freeze or approve labor contracts worth more than \$50,000.

analyzing conventional budgetary measures, we show how these Buffalo-specific issues played out in the City and the larger region.

In addition to academic sources and media reports that helped us obtain background information on the City, our sources include financial data obtained from the Office of the State Comptroller's website, annual reports of the BFSAs, annual financial reports by the City Comptroller, City and County budgets, and interviews with the following key informants:

Lou Jean Fleron: An Emeritus Extension faculty of Cornell ILR, Prof. Fleron has been involved in various civic, community, and professional activities in the City of Buffalo for several decades. In addition to various other initiatives, she co-directs the Partnership for the Public Good, a civic organization working to build a more just, sustainable and culturally vibrant Greater Buffalo region through action-oriented research, policy development and citizen engagement that aims to give the nonprofit community and citizens a stronger voice in public policy. She has also served as the Chair of the City of Buffalo Living Wage Commission.

Robert W. Keating: Robert Keating is the Director of Budget and Management for Erie County under Erie County Executive, Mark Poloncarz. He has served in the Erie County Comptroller's office since 1985, and provided us with useful insights into the County's fiscal situation, and the People's Mandate.

Michael J. LoCurto: Michael J. LoCurto has served as the Common Council Member for Delaware district in the City of Buffalo since 2006. He also serves on the claims, community development, and finance committees for the City.

Peter C. Rizzo, AICP: Peter Rizzo is a senior urban planner and development manager at the U.S. General Services Administration in Washington, DC. Before accepting his current position, he held various key planning positions in the Buffalo-Niagara region, including eight years as an Environmental Commissioner for the Town of Tonawanda in Erie County.

Maria R. Whyte: Maria Whyte is Erie County's Commissioner of Environment and Planning. She has previously served as the Majority leader for the Erie County legislature, and is also the former executive director of the Coalition for Economic Justice.

Unfortunately, despite repeated attempts, we were unable to reach the Mayor's office, or a School District representative to obtain responses on the City's fiscal situation and its strategies. However, this report will still serve to analyze predominately the City's but also the County's strategies towards their respective fiscal situations. Additionally, this report will attempt to provide the context for the fiscal situation as it gradually developed over the last decade.

2

A Background on Buffalo and its Local Economy

Buffalo is located in the far west corner of the Upstate New York region on the eastern shore of Lake Erie. It has a total land area of 42 square miles and a population of 261,310 for the City (2010 Decennial Census). The City of Buffalo is the second largest city in New York State and serves as the seat of Erie County government. Historically, Buffalo's manufacturing economy developed around the Erie Canal, which helped transport goods between the Great Lakes and the Atlantic Ocean. According to Glaeser (2007), improvements in railway transportation and trucking in the early 20th Century diminished the relevance of the Erie Canal. Along with cheaper electricity generation and transmission technologies, and the mechanization of goods production, manufacturing began to shift from Buffalo to locations with cheaper labor. After reaching its peak population in the 1950s, Buffalo began to experience a gradual decline in residents and its economic base. Beginning in the late 1970s, however, Buffalo's population and economic decline was accelerated after overseas competition forced the Bethlehem Steel Corporation—a major local employer that had operated in Buffalo since the early 1900s—to pare back its steel manufacturing operations in Buffalo (Loomis, 2004). By 1983, Bethlehem Steel had

officially closed the doors on its Buffalo plant after laying off over 20,000 Buffalo steelworkers (Leary, 1987).

Since the downfall of its manufacturing base, Buffalo has emerged in the 21st Century as a major center for healthcare and education services, with these services composing the highest proportion of employment (17 percent) across all employment sectors in the City (U.S. Department of Housing and Urban Development, 2012). The growth in the healthcare sector has occurred through initiatives such as the expansion of the 120-acre Buffalo Niagara Medical Campus that currently employs around 12,000 people. Similarly, the growth in the education sector is led by another important anchor institution, the University at Buffalo, which has more than 28,000 students across 3 campuses. "UB2020," the University's comprehensive growth strategy is expected to create more than 1,000 jobs at the university, in addition to 2,000 private-sector research jobs and 1,600 construction jobs through the expansion of its downtown campus, and supporting several life-science based companies (UB2020: University at Buffalo's strategic plan, 2013). Additionally, the area is home to 20 other colleges and universities, with a total of 110,000 students and 32,000 employees in higher education, which has a positive \$3.2 billion economic

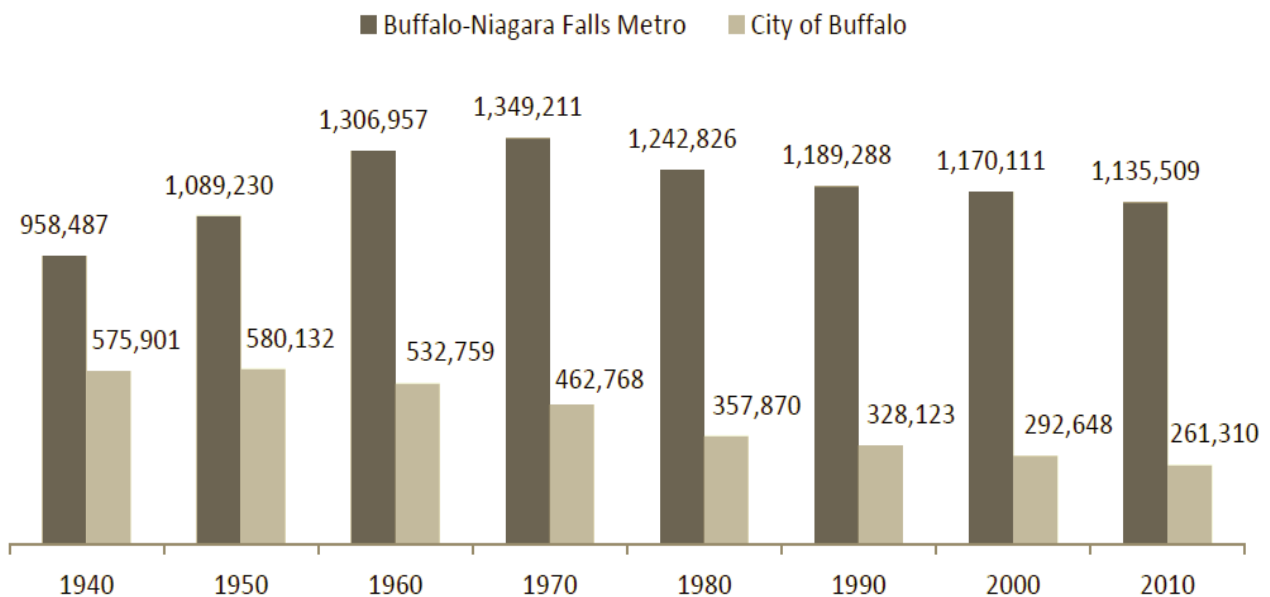
impact for the region (Schroeder, 2012). Buffalo also has a strong retail sector catering to Canadian shoppers that contribute to nearly 4.5 percent of total sales tax revenues (ibid). Buffalo has also tried to build its reputation as a cultural and recreational hub by supporting its arts community, preserving its historic architecture, developing its waterfront, and resurrecting its downtown central business district.

Despite these positive developments, the City of Buffalo continues to face many economic and fiscal challenges, in part due to changes in its demographic situation over the last few decades. As of the 2010 Decennial Census, the unemployment rate in the City of Buffalo was 12.4 percent as compared to 7.6 percent for the metropolitan area as a whole, and compared to roughly 8.9 percent for Upstate New York. The gradual outmigration of Buffalo residents to suburban communities and to locations elsewhere in the United States in search of employment, along with a low in-migration rate, have reduced the City’s population by more than 50 percent in the last sixty years as shown by Figure 1 below. The population in the City dropped at a much faster rate as compared to that of the Metropolitan region thereby contributing to sprawl.

The City of Buffalo also has a disproportionately high concentration of minorities in the city compared to the region as a whole due to the region’s suburbanization trends. In the year 2000, over 90 percent of the County’s black population, and 73 percent of the Hispanic population were concentrated in the City of Buffalo, and not a single suburb was less than 90 percent white (Foster, 2000). In 2010, this trend seemed to continue as only 46 percent of the City of Buffalo’s population was white compared to over 90 percent of the metro’s suburban population (2010 Decennial Census). From 2000 to 2010, the minority share of the population continued to grow in the City of Buffalo, largely due to generally higher birth rates among minority groups, and the outmigration of whites to the suburbs (Open Buffalo, 2013).

In addition to racial segregation, the City also suffers from a high concentration of poverty as compared to its surrounding region. According to the 2010 Decennial Census, the median household income in the City of Buffalo is around \$30,000, which is about 50 percent lower than that of the metropolitan area. There is a high concentration of poverty in the City compared to its suburbs. Nearly 30 percent of Buffalo’s population had incomes below the poverty line

FIGURE 1: Total Population of the City of Buffalo and the Buffalo-Niagara Falls Metro region, 1940-2010



Source: Garcia, 2012, p.1

compared to about 8 percent of the population living outside the city. Poverty is especially high among minority groups in the City, with an average rate of 45 percent in poverty (compared to 14.1 percent at the national level); this has demonstrated impacts on children's health and education in the City of Buffalo (Open Buffalo, 2013). Population decline, suburbanization, and growing concentrations of poverty and unemployment have resulted in a declining inner city that suffers from "suburban exploitation" of its cultural and recreational facilities by residents from better-off suburbs (Foster, 2000). These inter-related factors have driven up public expenditures without offsetting it with a healthy tax base.

Property taxes are among the chief sources of revenue for local governments in the Upstate NY region, and the revenue that can be raised through property taxes is contingent upon factors such as property values, the tax rate, and the amount of taxable property within a city's jurisdiction. The homeownership rate of 42.6 percent in the City of Buffalo is also far below the national average of 66 percent, and 50.5 percent in a median city in New York State. The median value of an owner-occupied unit in Buffalo was \$66,200 during 2007-11, compared to a State-wide median value of \$96,000 during the same period. In 2011, the vacancy rate in the City was 17.8 percent, compared to 10.4 percent in the median city in the State (Office of the New York State Comptroller, 2014; 2010 Decennial Census).

Vacant houses—a common sight in Buffalo's neighborhoods—have significant effects on the value of surrounding properties, and in turn, on the amount of delinquent property taxes. At the county level, the Erie County Department of Real Property Tax Services has determined that over 70,000 delinquent tax liens represent nearly \$53 million in taxes owed to the County (Nussbaumer, 2012). The City of Buffalo has nearly 64 percent of the tax delinquent properties, but it comprises only about 11 percent of the assessed value of all liens in the County.

In 2012, 37 percent of Buffalo's properties were tax exempt, as compared to 27 percent of real property value in New York State (Terrerri, 2013). Though some partial tax exemptions for senior citizens and veterans are popular with the public, local officials acknowledge that such exemptions

place greater stress on other property owners. However, the total taxable property has increased by 1 per cent in the past year due to the addition of nearly 1,000 residential units in the downtown area (Schroeder, 2012). Some tax-exempt properties like the University at Buffalo have generated positive externalities, such as the growth in taxable private developments in their vicinity (Amherst Supervisor quoted in Terreri, 2013).

Buffalo's low homeownership rates, high vacancy rates, and high proportion of tax exempt and tax delinquent properties, severely curtail the City's ability to raise revenues through property taxes. This is one of the factors leading to an inter-municipal land bank agreement in March 2012 between Erie County and the cities of Buffalo, Lackawanna and Tonawanda, to take advantage of the 2011 NYS Land Bank legislation as a way to deal with tax delinquent properties (*ibid.*)².

² The details of the inter-municipal land bank agreement are provided in a subsequent section on inter-municipal cooperation.

3

Buffalo's Fiscal Situation

Declining economy, growing fiscal crises, and the Control Board

A review of various local news reports suggests that from 2001 to 2003, the City grew heavily dependent on State aid despite severe cost-cutting measures that included employee layoffs, closure of firehouses, reducing human services, and cuts in cultural programs. The City was unable to reduce wages and employee benefits through collective bargaining with the public unions, which prevented it from curtailing its expenditures. Coupled with the decline of State Aid, Buffalo's fiscal crisis intensified (Buckley, 2002; McGrath, 2001).

In 2003, the State of New York created the Buffalo Fiscal Stability Authority (BFSA), a financial control board, to oversee the City's declining financial situation. The BFSA, which had State-appointed voting and non-voting members (the latter largely comprising local elected representatives and community members), had to review and approve a four-year financial plan submitted by the City Council (Schroeder, 2012; Buffalo Fiscal Stability Authority, 2004).

The BFSA identified various State laws, such as the Taylor Law and its Triborough Amendment, as structural problems that impeded the City's efforts to reduce its workforce cost

through collective bargaining³. The BFSA did not have the authority to issue debt without the approval of the City; nor could it levy taxes or set rates, nor could it void union contracts. According to Fleron (2013), the BFSA had the power to influence the City of Buffalo to undertake severe fiscal measures, and the authority to approve the financial plan before it went into an advisory status in 2012.

A review of the BFSA annual reports from 2004 to 2012 reveals that it implemented the following measures to reduce costs and help bring the City's fiscal crisis under control: (a) A wage freeze that lasted four years⁴(b) a City-wide hiring freeze, and layoffs of nearly 1000 employees⁵; and (c) a measure that encouraged City employees to switch to a single health insurance carrier, which helped save nearly \$6 million. The Control Board also approved the financial plan for the City of Buffalo's school district. Due to some of these

³ Similar to other Upstate cities, these workforce costs account for a majority of the City's total expenditures.

⁴ One of the outcomes of the wage freeze was that it prevented temporary employees from making a living wage (LoCurto, 2014).

⁵ It is important to clarify that the City government in Buffalo was shrinking with population decline prior to the Control Board. In 2003, when the Control Board was instituted, the City had fewer than 3,000 employees as compared to 6,665 employees in 1972 (Magavern, 2003). As of 2013, the City had 2,792 employees on its payroll (See Through NY, 2013).

measures, the City of Buffalo recorded a positive budget in the 2005-06 fiscal year, which also helped improve its credit rating (Buffalo Fiscal Stability Authority, 2013).

In 2012, the Control Board went into advisory status as the BFSFA determined that the City had adopted and adhered to budgets covering all expenditures other than capital items without a deficit or the use of any BFSFA assistance, for each of the three years immediately preceding the City 2012 fiscal year. Additionally, the City Comptroller and State Comptroller jointly certified that amounts raised through the sale of securities could substantially satisfy all of the City's capital and cash flow requirements in accordance with its financial plan (Schroeder, 2012).

The BFSFA and the Erie County Fiscal Stability Authority (ECFSA) provided what the State of New York saw as “adult supervision” of the City of Buffalo and Erie County government by State appointees, in order to help manage their “bloated” government budgets and fiscal inefficiencies (Coalition for Economic Justice, 2008). According to Rizzo (2013), the Control Board did help to create efficiency in the City of Buffalo's government operations. However, he adds that the large-scale layoffs were difficult to implement for City Council members, who shared a sense of community with their fellow City employees. The BFSFA blamed the City of Buffalo for its large workforce costs, while at the same time it too was dependent on various consultants, lawyers, and a large staff (Coalition for Economic Justice, 2008). As an example, the Control Board is continuing to cost the City: it cost the City about \$0.7 million in 2013, and as late as 2017 City payments for BFSFA-related costs are expected to reach \$1 million. These payments include costs for office space rental, and the salary of the Executive Director of the Board, which is currently higher than those of the City Comptroller and the Finance Commissioner (Terrerri, 2014). While our interview with the budget director of Erie County (Keating, 2013) suggests that the County currently shares a healthy professional relationship with its Control Board (the ECFSA), it would be worth examining whether the process of having to seek the Control Board's approval for every contract and financial decision over \$50,000 had any effect on transaction costs at the City and County levels.

Current fiscal snapshot: Revenues and Expenditures⁶

Revenues

The City of Buffalo collected \$447.4 million in revenues in 2012 at an average annual increase of 2.3 percent since 2002, which is below the 3.3 percent annual increase for the other Big Four cities in the State (Office of the State Comptroller, 2014). State aid constitutes the biggest share of revenue for the City (39 percent), followed by sales tax (19.1 percent), and property tax (18.3 percent). The State aid per capita is also greater than that of the other Big Four cities (\$664 versus \$573) (ibid.), but the City budget's share of sales tax is lower than that of the other cities. Although State aid forms the largest share of revenues, it has been declining in real terms since 2009. Sales and use taxes, on the other hand, seem to be showing an increasing trend.

Property tax, one of the chief sources of local revenues, has shown a declining trend since 2005 when viewed in both, current and constant dollars⁷. This is because in recent years, Mayor Byron W. Brown has been very supportive of property tax cuts on both businesses and homeowners, calling it necessary property tax relief. In 2005-2006, commercial properties were assessed at \$37.41 for every \$1,000 in property. Since then, business property taxes have dropped by nearly 25 percent in current terms - commercial property is now assessed at \$28.02 for every \$1,000 in property. On the residential side, it has fallen from \$20.95 to \$17.95 during those same years, a decline of around 15 percent in current terms. The average property tax rate in Buffalo is presently considerably lower than other big Upstate cities (Brown, 2013). While Mayor Brown has chosen to freeze property tax rates in the 2013 budget, in future this might need to become a greater source of revenue, especially since there is a strong possibility that credit ratings might drop if the fiscal picture remains the same or worsens, and the City continues to draw down its fund balances.

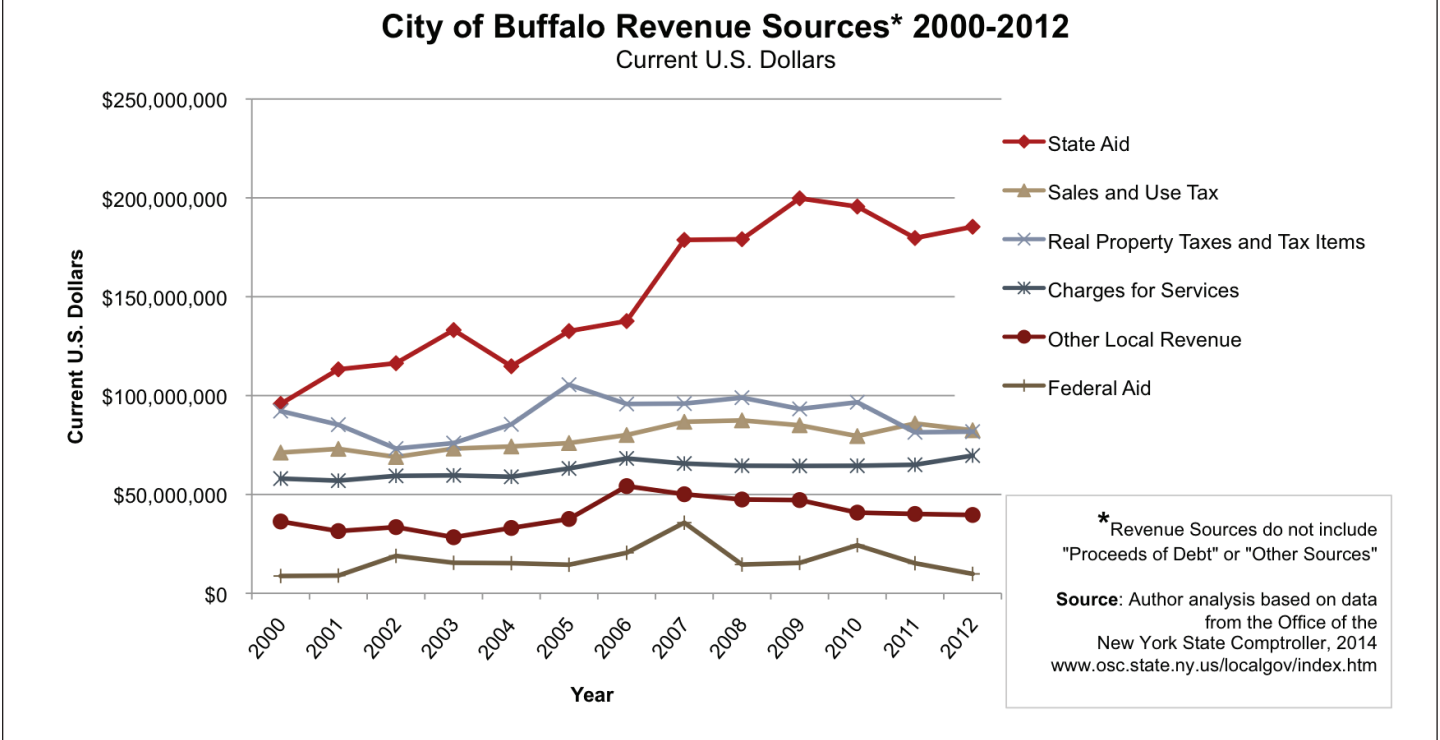
On the other hand, combined sales and use taxes (the second largest source of revenue) held relatively steady,

⁶ Refer Appendix for details of the City of Buffalo's revenues and expenditures from 2000-2011.

⁷ For charts on revenue and expenditure trends in constant terms, refer to the Appendix.

FIGURE 2: Selected sources of revenue by source for the City of Buffalo from 2000-2012

Note: All amounts are in current dollars.



and were recalibrated shortly after Buffalo and Erie County were placed under the authority of their respective control boards. Erie County distributes part of its sales tax revenue to its municipalities, including the City of Buffalo. In 2005, Erie County increased the sales tax rate by 0.25 percent, to 4.75 percent, which represents the highest county sales tax rate in New York State (Volk, 2009; Giambra, 2005). As a result, sales tax revenues edged higher for the City of Buffalo. After 2005, Buffalo’s sales tax revenue amount increased to around \$80 to \$87 million from fiscal year 2006 to 2010 (DiNapoli, 2013) and has since shown an increasing trend. Although when measured in constant dollars, the trend is actually flat, sales and use tax revenues have been a stable source of revenue for the City of Buffalo notwithstanding the recession and its impacts on the economy. Another significant stable source of revenue for the City comes from charges for services (DiNapoli, 2013)⁸, again remaining fairly flat over the years when measured in constant dollars.

⁸ These include fees for general government, public safety, health, transportation, culture and recreation, utility, and community services.

The data shows that the City also raised substantial revenues through the sales of assets between 2004 and 2006. However, revenues from this source, as well as from Federal Aid, have since declined when measured in constant dollars.

Expenditures and savings measures – Cuts to basic services

Although Buffalo’s revenues grew at a slower rate than those of the other Big Four cities, its expenditures also increased at a much slower rate (2.3 percent versus 3.3 percent for the other cities), thereby helping its fiscal recovery. As with most cities, public safety (police and fire services) and employee benefits costs (health insurance and pensions) make up a large portion of the expenditures, i.e. nearly 63 percent (Office of the New York State Comptroller, 2014). However, in constant dollars, expenditures on public safety have been showing a decreasing trend, whereas employee benefits and general government expenditures have been showing an increasing trend.

Revamping the fiscal situation in Buffalo under the auspices of the BFSFA within a period of a few years required severe cuts to City services. While essential services like public safety and sanitation were safeguarded from serious cuts⁹, user fees held steady while the City made substantial cuts in social services, culture and recreation, and community services (DiNapoli, 2013). These cuts required the closure of nearly 16 libraries in 2005 (Buckley, 2006b), and transfer of the maintenance of the City’s Parks to the County while the City paid for capital improvements. These measures were intended to balance the books, but had repercussions for residents who lost desired services that affected their quality of life. Some of these services continued to be provided through outsourcing to non-profits such as the Northwest library, where the Massachusetts Avenue Project (a non-

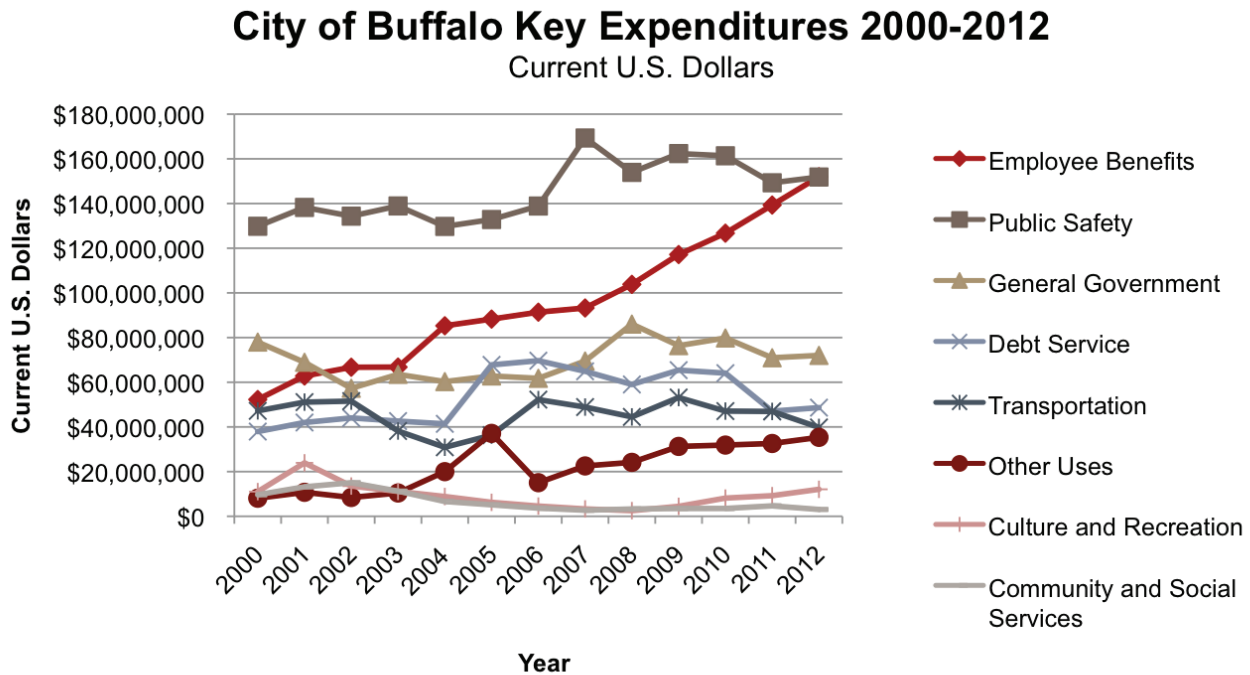
profit) was provided office space in the library premises in exchange for overseeing library activity and services (ibid.). These innovative inter-municipal arrangements with the County, and partnerships with non-profits, helped maintain continued provision of services in the face of fiscal cuts. Since 2003, expenditures towards culture and recreation, social services, and community services such as constituent and elder services have been declining in constant dollars although they have increased in current dollars in recent years. This has serious implications for a city that has very high levels of poverty.

The steep drops in culture and recreation spending led to substantial changes in City arrangements. The consolidation of the City’s parks department with that of Erie County generated \$3 million in savings but reduced the workforce by 61 employees (Buffalo Fiscal Stability Authority, 2004). Prof. Fleron revealed that as a result of an agreement with the City and County, many of these

⁹ News reports suggest that some firehouses were closed (such as Engine 24 located on the City’s East Side in 2006 (Buckley, 2006a), and Ladder 9 in Elmwood and Virginia in 2004 (Buckley, 2004)), while others were consolidated as part of the fire department restructuring plan, with a conscious attempt to not compromise on emergency response times.

FIGURE 3: Selected sources of expenditure by source for the City of Buffalo from 2000-2012

Note: All amounts are in current dollars.



Source: Author analysis based on data from the Office of the New York State Comptroller, 2014 www.osc.state.ny.us/localgov/index.htm

employees went on to work for the Buffalo Olmsted Park Conservancy, a non-profit charged with park management since 2004. After the transition, however, those employees no longer received public service benefits and many faced reductions in wages. One outcome of this consolidation was a benefit to society through a non-profit's collaboration with the government for service provision. As a non-profit organization with expertise in park management, the Olmsted Park Conservancy was able to access more creative funding sources than the City government. Although the City contributed \$1 million annually to the Conservancy, its culture and recreation expenditures dropped after 2004. In 2004 alone, the City reduced culture and recreation expenses by over \$2 million (~20 percent). Although greater involvement and collaboration with non-profits might cushion some of the impacts of sharp cuts in services, it entails benefit losses to public employees and to the community that are not easily measurable.

Current budget situation and strategies

Currently, the budgetary situation in the City of Buffalo is positive, and shows that the City is in a relatively strong fiscal condition. The City through its debt management policy has been successful in reducing capital indebtedness from \$415.6 million in 2004 to \$328.6 million in 2012 (Schroeder, 2012). The City has a per capita debt of \$2,396 that is nearly double that of a median city at \$1,232, but outstanding debt has been declining in real terms since 2008 (Office of the New York State Comptroller, 2014). State aid, and wage freezes helped the City of Buffalo accumulate surplus funds in the year 2008 (\$113.5 million). However, the available fund balance has since declined to \$30.5 million as the City had to draw down on its fund balances in the post-recession period. Mayor Brown's budget for 2013-14 uses \$12 million in fund balance to close the budget gap. Additionally, the City's four-year financial plan from FY 2013-2014 to FY 2016-17 includes the continued use of fund balances to close budget gaps. However, vulnerabilities such as open labor negotiations with police unions, limited flexibility to raise revenues because of the property tax cap, and heavy reliance on State aid, are likely to be a cause for greater fiscal stress (ibid.). To stay within the limits of the property tax cap,

the City and County need to work with various agencies, and their respective special tax districts. The County faces challenges as its sewer authority has to raise revenues to meet stringent environmental regulations while remaining within the limits of the tax cap (Whyte, 2014). The increased levels of inter-agency coordination required to adhere to the tax cap are likely to strain municipalities who are trying to balance rising employee costs with optimal service levels.

The fiscal changes in Buffalo produced huge improvements to its fiscal situation but how these changes affected residents was never within the purview of the BFSAs. There is now an increasing focus on funding for community services, especially with improvements in the fiscal situation. Mayor Byron Brown highlights his commitments to cultural and community services in his 2013-2014 budget, which provides \$100,000 in new funding for museums, the Buffalo Zoo, music and the arts; \$50,000 to expand activities for Senior Citizens; \$160,000 for the Buffalo Broadway Market; and a 3-year \$500,000 total commitment to the 'Say Yes to Education' program (Brown, 2013). However, the size of these commitments is relatively small, and the pledge to "Keep Buffalo Competitive" by preserving what are considered to be very low property tax rates in relation to other big Upstate cities¹⁰ as well as reducing tax rates for businesses, threaten to reduce the City of Buffalo's coffers and lessen the City's ability to make further reinvestments¹¹.

Fiscal situation in Buffalo Public Schools

The City of Buffalo has a dependent school district on behalf of which the City must raise and collect property taxes, and issue debt. The school district is governed by a Board of Education (hereafter School Board) elected by popular vote (Board of Education, 2013).

In the past decade, a steady decline in school enrollment has paralleled the population decline in the City. The increasing proportion of minority population in the City in

¹⁰According to the Office of the State Comptroller, the property tax rates in Buffalo, Syracuse, and Rochester were \$28.57, \$32.35, and \$37.49 per \$1,000 in property for the school year 2009-2010.

¹¹However, tax rates alone do not influence the location decisions of businesses and firms. Factors like availability of skilled labor, and quality public services, have a greater role to play. Hence, using lower tax rates as a strategy cannot guarantee increased competitiveness for the City.

the last decade has resulted in an increase in enrollment of non-white children. Trends in school district revenues and expenditures since 2000 indicate that total revenue increased from 2005-2008, and it has remained fairly constant since then. State aid has constituted the highest proportion of total revenues followed by local revenues, and School Tax Relief (STAR). STAR has shown a slightly increasing trend, whereas State aid has declined since 2008, and local revenues have remained fairly constant. Expenditures have shown an increasing trend¹².

According to the New York State Department of Education's webpage (2014), there are 16 charter schools in Erie County, of which 14 are located in the Buffalo City school district. The number of charter schools has increased since 2003, after the institution of the BFSA and strict fiscal control. The enrollment in charter schools increased from 3115 to 7352 in the period 2003-2011 (Buffalo Fiscal Stability Authority, 2013).

To close its gaps in the FY 2013-14 Adopted Budget submitted to the BFSA for review, the school district has tried to reduce expenditures through employee layoffs and closure of public schools. The City has attempted to convert some of the local public schools to charter schools, as indicated by the growing enrollment in charter schools. Other measures to close the gaps in the school budget over the next four years include elimination and consolidation of classes with low enrollment, reduction in special education services and non-mandated supplemental programs (principally music and athletics programs), and layoffs of special education staff and bus aides. Increases in State and federal aid would help to close the budget gap without having to make the hard choices mentioned above.

The Alliance for Quality Education (a coalition mobilizing communities across the state to ensure high quality public education) is demanding a reform on the state property tax cap, to prevent cuts to programs and staff (Buckley, 2012). In Buffalo, public-private partnerships have helped to salvage some essential school services. A partnership between Erie County and 'Say Yes Buffalo' (a non-profit) will expand mental health services available in schools, and

provide support for the addition of a Site Facilitator to help address barriers to student achievement. 'Say Yes Buffalo' will cover 38 percent of the costs, which allows Erie County to access the remaining 62 percent needed from the New York State pool of mandated preventive funds (Poloncarz, 2013b). According to Rizzo (2013), having partnerships with non-profits opens up new sources of funding without compromising on community values.

The Control Board concluded that most of the projected increases in workforce expenses are beyond the school district's control, as it is constrained by New York State laws governing contracts. Additionally, payments to charter schools are likely to increase as the number of charter schools grows (Buffalo Fiscal Stability Authority, 2013). In the past, drops in school enrollment have helped the school district justify cost cutting measures. The low enrollment stems from conversion of public schools into charters and from migration to suburbs, which has in turn concentrated poverty in the City and hindered academic success for existing students enrolled in schools in the City of Buffalo (Partnership for the Public Good, 2012).

Erie County's push for the 'People's Mandate'

In contrast to the fiscal restraint under the Control Board, the changing political dynamics under County Executive Poloncarz are striving to bring residents' interests to the forefront. The County administration seeks to create a People's Mandate for popular programs, (these refer to those programs that are not mandated by the State but are desired by County residents) and has introduced new funding sources to support them. These include a reinvestment of \$415,867 for operations of the Buffalo and Erie County Public Library System; \$2 million in 2014 funding, in addition to \$1 million in 2013 funding, for the rehabilitation of greenhouses at the Buffalo & Erie County Botanical Gardens; over \$36 million for operating and infrastructure investments on highways, roads and bridges throughout Erie County; continuation of the County's commitment, through a program called Operation Prime Time, to neighborhood-centered not-for-profit youth organizations for summer youth programming; increases in spending on

¹²Table 3 in the Appendix shows the trends in the City of Buffalo School District's enrollment, revenues, and expenditures.

infrastructure repairs and renovations at Erie County Parks; and the creation of three new positions in the Erie County Department of Health to administer vital cancer screening programs for under- and uninsured County residents (Erie County Executive Mark Poloncarz, 2013). County Executive Poloncarz created several priorities in his 2013-2014 budget around the idea of enhancing funding for the People's Mandate while creating savings in other areas and allowing for a 1.1 percent increase in the budget compared to last year (McNeil, 2013). Additions to the budget that are seen as positive for the administration include funding for initiatives for a Smart Economy by promoting tourism (to increase sales tax revenue from visitors), workforce development, County-wide rodent control program, Cornell Cooperative Extension, and increases in funding for the arts and cultural groups (McNeil, 2013; Poloncarz, 2013a).

These expansions in funding at the County level did not come easily for the administration, as it required closing a \$29.2 million gap through taking advantage of a State pension-stabilization program, and cutting a total of 40 positions (McNeil, 2013). However, in approaching the budget gap, the County reorganized its budget in ways that it considered strategic. For instance, the County has created a new energy officer to help Erie County government operate more efficiently and reduce utility costs, and has funded a new senior planner position to facilitate smart growth and regional planning policies (Poloncarz, 2013a). Erie County's Budget Director Keating (2013) said that present relations between the ECFSA and the County are very positive. This is a stark change from the picture in 2005, when Erie County went through a sweeping round of lay-offs of 1,130 full-time employees in an effort to work towards reducing a \$118.4 million budget gap to satisfy the demands of the ECFSA (Giambra, 2005).

The clear picture in Buffalo and its region shows that the fiscal situation is better than it has been in decades, but at the same time that fiscal challenges could continue over the long-term.

4

Economic development and fiscal improvement responses

Grassroots responses – Social Unionism and Non-profit networks

Buffalo has one of the highest unionization rates in the nation. The region's difficult economic situation continues to put pressure on unions. Decline in union membership rates have paralleled the decline in Buffalo's manufacturing sector. In 2013, the union membership rate in the Buffalo-Niagara Falls Metropolitan Statistical Area was 22.4 percent, down from 25.3 percent in 2003 (Hirsch & Macpherson, 2014). There are significant differences between the rates of unionization for the private sector compared with that of the public sector. The majority of public employees are unionized, while less than 15 percent of their private counterparts are union members.

Popular arguments have depicted unions as a significant problem for Buffalo's recovery from the fiscal crisis. Allegations included claims that "unions were not willing to compromise" and "unions are mainly supporting employees within the union over outsiders." Under New York State's Triborough Amendment, an existing contract continues in effect if the negotiating partners fail to reach an agreement

during collective bargaining. This makes negotiations particularly difficult for cities under fiscal stress, as Buffalo is. Unions can simply stall the negotiation process, and retain benefits at current contract levels (Weissman, 2012). Some unions in Buffalo have used this tactic according to Fleron (2013), who was involved in several roles in the organized labor movement in Buffalo.

During the late 1990s and early 2000s, Western New York's unions tried many innovative approaches to contend with the economic decline. Buffalo's unions took the first steps in economic development initiatives in the 1980s. Their interest slowed during the early 1990s, when manufacturing plant closures in the area were widespread. In the late 1990s, the unions reinstated economic development on their agendas, and they established the Economic Development Group (EDG) in partnership with Cornell's Industrial and Labor Relations (ILR) School. The EDG believed that successful labor-management cooperation in the region could be better marketed in order to attract investment, and advocated for a strong position of workers to receive the potential benefits of investment. This strategy is part of a larger vision called Social Unionism. At the organizational level, Social Unionism involves coordination with other community groups and activism outside the confines of

traditional labor interests. The EDG's efforts were supported by non-profits like the Coalition for Economic Justice, which had been fighting for a living wage in Buffalo.

The EDG and traditional economic development bodies such as the Buffalo-Niagara Enterprise jointly produced the *Champions@Work* study in 2000. The study analyzed relations between unions and employers, and used best practice examples from the Buffalo Metropolitan area to illustrate cooperation between unions and employers (Fleron et al., 2000). The study was described as highly influential, as it made a nationwide impact within the business community (Whalen, 2010). Cornell ILR tried to build on that success to formalize *Champions@Work* into an ongoing network. However, the EDG did not take off due to the retirement of some of its influential leadership.

While economic development in the form of the EDG may have ceased in Buffalo, the positives remain. One such positive is the Health Sciences Charter School, which seeks to educate local students as prospective employees with the competencies needed in Buffalo's growing health cluster. The president of the Board of Trustees of the school is David Palmer, the former chairman of the EDG. The school's founding partners include Buffalo's health companies such as Blue Cross/Blue Shield of Western New York, and the Kaleida Health System's hospitals. The list also includes the Communications Workers of America, a union represented in the health industries.

Another important legacy of social unionism and its ideals survives in the form of non-profits like the Partnership for the Public Good, PUSH Buffalo, the Coalition for Economic Justice and VOICE-Buffalo that have always been committed to social justice and equity through their efforts to promote a living wage; and have been working together with other local organizations in the City of Buffalo to help the poor, minorities, and refugees to access jobs, education, and training in the Buffalo-Niagara region (especially the Buffalo-Niagara Medical Campus, and the East Side's Fruit Belt) through civic and artistic engagement. These non-profits have recently coalesced into a civic initiative called Open Buffalo that has taken a long-term approach to give voice to and encourage democratic participation of all

groups including disadvantaged minorities, and to promote innovative policy making to achieve economic opportunity and sustainable wealth creation for all. This initiative is one of three city initiatives in the nation that have received a two-year, \$1.9 million grant by the Open Society Foundations, a grant-making organization founded by liberal billionaire George Soros (Sommer, 2014)¹³.

Nationwide, there seems to be a growing trend towards social unionism. At the 2013 American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) convention, union leaders outlined their plans to work closely with social and environmental interest groups in achieving greater equity in those respective areas. Buffalo unions were early trendsetters, and continue to remain at the forefront of Social Unionism. The Partnership for the Public Good brings together environmental organizations like the Buffalo-Niagara Riverkeepers and the Clean Air Coalition of Western New York with social organizations like the Food Bank of Western New York, neighborhood organizations like the Utica Heights Block Club, and organized labor. The Partnership for Public Good undertakes research in fields as diverse as economic development, the environment, housing, and poverty. In addition, it aims to foster cooperation amongst its member organizations and lobby for revitalizing Buffalo in an equitable and sustainable way as exemplified by its role in the Open Buffalo initiative.

In conclusion, unions in Buffalo have attempted to shed their negative public image by instituting proactive policies and shaping economic development. There was nationwide interest and support for the EDG, which has had some success in creating educational programs as well as research and marketing material to promote the region's collective bargaining system. While the EDG no longer exists, living legacies of social unionism continue to effect change in the area. These efforts have changed the frame for thinking about economic development, and have laid the foundation for present organizational initiatives like Open Buffalo to take root.

¹³More information about Open Buffalo and their work can be found on their website – www.openbuffalo.org

Inter-municipal Cooperation

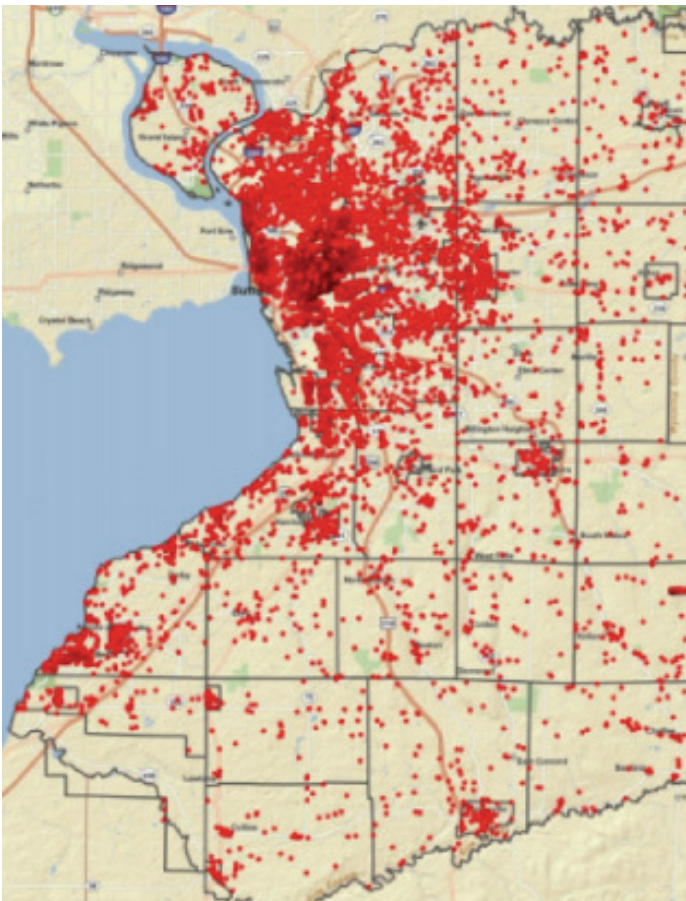
Under the new Poloncarz Administration, which began in 2012, Erie County administration made inter-municipal cooperation a cornerstone of its policies. The County has been reaching out to its municipalities, as well as to neighboring Niagara County, and to not-for-profit organizations within the County. The Buffalo Erie Niagara Land Improvement Corporation is an example of inter-municipal cooperation.

The Buffalo Erie Niagara Land Improvement Corporation

Erie County and the Cities of Buffalo, Lackawanna, and Tonawanda created a land bank, which will acquire vacant properties, and those that are delinquent in property taxes, for the purpose of returning them to the market. Erie County and its municipalities are saddled with tax-delinquent

properties. Currently, Erie County has 77,766 tax liens with a balance of \$57.8 million (Knight, 2013). These liens are not only within the City of Buffalo, but are distributed all over the County (see Figure 5). Tax-delinquent properties are a region-wide problem, which the municipalities in the area are tackling effectively under the leadership of Erie County. The land bank is a not-for-profit agency, and its Board of Directors has representatives from the Cities of Buffalo, Lackawanna, and Tonawanda, as well as from authorities in the area such as the Empire State Development, and the Buffalo Sewer Authority. Delinquent properties are often vacant or foreclosed, and do not contribute to property tax revenues. They decrease the value of surrounding properties, and at times, pose fire and safety hazards. The idea behind the land bank is to obtain delinquent properties for the amount of outstanding taxes, clear the title, and support the reuse of those properties to revitalize neighborhoods. The land bank started in 2013 but was unable to make much progress without funding support. It has recently been awarded a \$2 million grant from the Office of the Attorney General, NY and hopes to raise additional funds through the efforts of its new Executive Director (Whyte, 2014). It is still too early to judge its success, but the agency appears to be a promising example of inter-municipal collaboration.

FIGURE 4: Distribution of County Liens



Source: Knight, 2013

Regionalism initiatives: Economic development at the County level

Erie County is focused on regional economic development, too. The two fields on which the County has laid emphasis are investments in STEM (Science, Technology, Engineering and Math), and a focus on Canada as a potential source of new investment. In 2013, the County government announced the construction of a new STEM building for Erie Community College, which will advance education in those fields deemed critical for the development of the Buffalo area. The goal is to provide education to create a qualified workforce for the growing sectors of advanced manufacturing, life sciences, and health (Erie County, 2013). In recent years, Canadian firms have invested significant dollars in the Buffalo area. For example, Welded Tube announced an investment of \$50 million, and the creation of 121 jobs in Lackawanna. Buffalo has excellent access to

Ontario and could strategically be positioned as a gateway into the U.S. market for Canadian companies. While it would be difficult for individual cities to market themselves in Canada, Erie County, covering the largest part of the Buffalo metropolitan area, is better positioned for regional economic marketing. Within the next few years, the County plans to open a facility in Toronto, where they will promote the Buffalo region.

Regionalism through collaborative regional planning

The ‘One Region Forward,’ a regional umbrella organization in the Buffalo area that covers the areas of the Buffalo-Niagara Falls Metropolitan Statistical Area, Erie and Niagara County, was launched in 2012. Members of its steering committee are from Niagara and Erie County, the cities of Buffalo and Niagara Falls, and economic and community organizations from within the region. The aim of this collaborative effort is to create a Regional Plan for Sustainable Development, a federally recognized document that would give the region priority status for funding opportunities in the future. The aim of this plan is to improve mobility, promote efficient land use patterns, strengthen infrastructure, economic development, improve access to healthy food, protect housing and neighborhoods, and mount a regional response to climate change. A unique feature of this plan is its goal of empowering various stakeholders in the planning process such as the community, business and civic leaders, and giving priority to community projects.

The initiative arose out of the Regional Institute of the University at Buffalo, which obtained a \$2 million grant from the United States Department of Housing and Urban Development to fund building organizational capacity. While One Region Forward does not have any formal planning or fiscal powers, its steering committee hopes the regional plan will be adopted by the municipalities. Work on the regional plan will be carefully coordinated with the existing and emerging framework of planning for Buffalo Niagara including the Western New York Regional Economic Development Council’s (WNYREDC) strategy, the “Buffalo Billion,” a five-county sustainability plan funded by the New York State Energy Research and

Development Authority, and numerous recent planning efforts undertaken at the local and county level (One Region Forward: Towards a more sustainable Buffalo Niagara, 2014)¹⁴. This is not the first instance of a regional initiative in the Buffalo region. Foster (2000) writes that a long period of socio-economic difficulties has forced governments, and other actors in the Buffalo area to think about regional efficiencies and effectiveness. She adds that research and public service from the University at Buffalo, the region’s largest university and its several research centers devoted to Buffalo-Niagara affairs, have been instrumental in building region wide consciousness, and catalyzing regional action. In the past, uneven growth caused declining areas in the urban core and rural rings to take action about empty lots, abandoned housing, higher taxes, and very few jobs. The region embraced the principles of smart growth with considerable enthusiasm, and several initiatives were taken by non-profits such as the Buffalo Niagara Partnership (the major business consortium at that time) and the United Way, which were fairly effective in marshaling resources—monetary, administrative, and human—in support of particular regional causes. One Region Forward can be seen as a continuation of such regional efforts facilitated by a regionally-oriented university.

¹⁴The WNYREDC received an investment commitment of \$ 1 billion from Governor Cuomo in December 2012 towards funding its strategic plan called the Buffalo Billion Investment Development Plan. This long term strategy aims to support the expansion of local businesses, and attract new businesses in the areas of advanced manufacturing, agricultural processing, bi national logistics and distribution, energy, life sciences, medical devices, and professional services in order to achieve short term economic growth as well as lay the foundation for sustainable economic opportunity for future generations (Governor’s Press Office, 2012).

5

Conclusion

Our research shows a positive development trajectory in Buffalo's financial situation in recent times. Since the institution of the Control Board in 2003, the City has demonstrated success in closing a large deficit, and creating balanced budgets. As a result of the Control Board, there were large personnel cuts, tax increases, and cuts in services. While painful, these actions were successful in raising revenues, and limiting the rise in municipal expenditures. The Control Board also facilitated the transfer of services upwards to the County level, and outwards to not-for-profit organizations. There seem to be successful examples of inter-municipal cooperation such as Olmstead Parks Conservancy, where service provision levels were at least partly maintained despite curtailing expenditures. Further research is necessary to fully understand the non-budgetary effects, and some of the impacts on operational transaction costs of a State-appointed Control Board governing a municipality. In Buffalo, many citizens were critical of the Control Board because they viewed it as reducing local

powers, while others were happy that a technocratic agency came in and "cleaned up." In addition, the sustainability of the Control Board's measures were shallow, as the underlying structural issues of depopulation, poverty, and economic transitions which affected the City remained unresolved.

The new regional initiatives started by Erie County such as the People's Mandate and One Region Forward, show promise in terms of a long-term impact. They address the underlying economic and community development problems, and bring back the regional perspective advocated by planners and academics. Social unionism and economic development initiatives have left behind a legacy of non-profits that are also addressing structural issues. Despite the eventual failure of the EDG, small scale organized labor initiatives and non-profits are still active within the area, and continue to promote educational opportunities, and social equity for City residents.

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Appendix

TABLE 1: Table showing revenues (in current dollars) for the City of Buffalo from 2003-2011

YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales and Use Tax	\$73,194,458	\$74,271,660	\$75,993,129	\$80,070,781	\$86,740,493	\$87,457,635	\$84,981,980	\$79,520,947	\$85,895,967
Charge For Services	\$59,636,917	\$58,943,562	\$63,150,521	\$68,209,048	\$65,638,590	\$64,528,128	\$64,433,759	\$64,516,702	\$65,018,507
State Aid	\$133,152,315	\$114,826,007	\$132,621,493	\$137,675,483	\$178,738,898	\$179,080,631	\$199,762,295	\$195,595,457	\$179,676,655
Other Sources	\$10,755,900	\$19,984,550	\$37,105,271	\$15,044,936	\$22,543,191	\$24,147,868	\$31,282,298	\$31,880,635	\$32,591,970
Property Tax	\$65,726,702	\$75,321,163	\$94,917,053	\$86,403,221	\$86,557,071	\$90,152,240	\$84,238,759	\$87,870,409	\$72,509,621
Federal Aid	\$15,435,521	\$15,242,519	\$14,443,679	\$20,492,743	\$35,713,905	\$14,546,177	\$15,385,775	\$24,332,590	\$15,210,747
Other Local Revenues	\$237,165,789	\$251,707,105	\$282,243,889	\$298,267,611	\$298,443,699	\$298,379,138	\$289,845,352	\$281,471,601	\$272,470,284
Charges to Other Governments	\$5,564,939	\$5,308,372	\$5,057,594	\$5,245,752	\$5,717,273	\$5,301,397	\$5,644,821	\$5,204,954	\$6,892,108
Proceeds of Debts	\$0	\$40,990,000	\$58,292,243	\$52,545,917	\$52,253,094	\$928,736	\$43,514,296	\$0	\$21,985,000
Use and Sale of Property	\$12,462,982	\$11,950,406	\$16,197,346	\$26,339,920	\$25,563,198	\$23,246,365	\$17,675,679	\$16,083,646	\$18,283,103
Other Non Property Taxes	\$2,287,244	\$2,424,081	\$2,656,895	\$2,587,022	\$2,499,507	\$2,358,614	\$2,584,655	\$2,905,137	\$2,982,589
Total Revenues and Other Sources	\$439,293,674	\$487,409,895	\$396,509,525	\$442,750,181	\$524,706,574	\$524,026,690	\$587,692,787	\$517,082,550	\$579,790,015

Source: DiNapoli, 2013

TABLE 2: Table showing expenditures (in current dollars) for the City of Buffalo from 2003-2011

YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety	\$138,911,539	\$129,749,329	\$132,843,668	\$138,878,531	\$169,326,347	\$153,937,386	\$162,357,550	\$161,368,721	\$149,282,752
Employee Benefit General	\$66,796,854	\$85,289,618	\$88,273,759	\$91,366,911	\$93,242,334	\$103,813,145	\$117,162,255	\$126,721,122	\$139,318,863
Government Debt Service	\$63,531,309	\$60,282,625	\$62,803,301	\$61,756,301	\$69,502,696	\$86,028,678	\$76,389,060	\$79,813,803	\$70,954,690
Transportation	\$42,610,561	\$41,381,681	\$67,779,182	\$69,652,715	\$64,903,176	\$59,009,405	\$65,422,759	\$64,078,324	\$47,048,391
Sanitation	\$38,171,797	\$30,896,576	\$36,317,850	\$52,221,405	\$48,891,770	\$44,484,291	\$53,168,020	\$47,083,811	\$46,932,534
Culture And Recreation	\$12,506,847	\$13,585,400	\$14,135,027	\$16,487,508	\$16,883,753	\$18,965,320	\$19,670,781	\$18,187,955	\$18,695,106
Community Services	\$11,138,353	\$8,856,628	\$6,251,553	\$4,578,492	\$3,303,243	\$2,523,718	\$4,460,464	\$8,144,692	\$9,233,436
Other Uses	\$10,578,271	\$5,892,647	\$4,365,721	\$2,880,190	\$1,961,781	\$2,504,610	\$2,706,108	\$2,698,398	\$3,890,648
Utilities	\$10,435,470	\$19,984,550	\$37,105,271	\$15,044,939	\$22,543,191	\$24,147,868	\$31,282,298	\$31,880,635	\$32,591,970
Economic Development	\$8,545,957	\$8,951,531	\$8,165,823	\$7,692,917	\$8,401,536	\$6,973,789	\$8,449,706	\$7,243,529	\$8,783,376
Health	\$2,671,866	\$1,265,350	\$3,966,701	\$3,194,963	\$2,337,690	\$2,346,195	\$1,339,154	\$6,963,897	\$1,653,393
Social Services	\$1,163,098	\$975,495	\$928,551	\$921,072	\$976,963	\$1,376,286	\$1,168,131	\$1,162,818	\$967,176
Education	\$688,345	\$745,286	\$779,063	\$773,534	\$759,861	\$759,737	\$783,749	\$807,506	\$778,195
Total Expenditure and Other Uses	\$407,750,266	\$407,856,716	\$463,715,471	\$465,449,478	\$503,034,340	\$506,870,427	\$544,360,035	\$556,155,210	\$530,130,528

Source: DiNapoli, 2013

TABLE 3: Enrollment, Revenues, and Expenditure trends for City of Buffalo School District from 2000-2011

Note: All revenues and expenditures are in 2000 constant dollars (in millions).

Year	Total enrollment	Percentage Nonwhite	Local Revenue	School Tax Relief (STAR)	State Aid	Total Revenue	Total Expenditure
2000	45721	71.55	125.26	13.03	369.77	560.51	571.56
2001	44849	72.46	94.91	14.86	370.06	541.79	548.79
2002	43474	73.28	97.29	15.21	359.65	533.70	548.90
2003	41491	74.10	93.89	15.95	400.29	592.24	566.84
2004	38719	74.29	86.36	16.51	400.76	578.83	584.27
2005	36706	74.37	89.27	15.29	410.21	585.16	583.72
2006	36540	74.79	89.55	15.09	447.56	610.94	583.03
2007	35677	75.28	93.57	14.73	479.35	644.78	590.26
2008	35090	76.02	87.63	12.96	506.90	660.44	618.62
2009	35039	77.17	85.67	13.02	485.41	652.86	631.42
2010	34191	77.09	91.78	12.06	490.97	657.07	644.15
2011	33556	77.59	124.52	11.65	473.36	669.73	704.07

Source: New York State Center for Rural Schools, 2014

In 2012, the school district had a total revenue of \$908.2 million (around \$710 million in 2000 dollars). This included \$70.3 million in property tax revenue transferred from the City (nearly half the total levy) (Office of the New York State Comptroller, 2014). According to the Buffalo Fiscal Stability Authority (2013), the chief source of revenue for the school budget is State Aid (nearly 83%), followed by property tax and sales tax allocations from the City and County. The main expenses in the school budget are for employee compensation and benefits, debt service, and payments to charter schools.

FIGURE 5: Selected sources of revenue by source for the City of Buffalo from 2000-2012

Note: All amounts are in 2009 constant dollars.

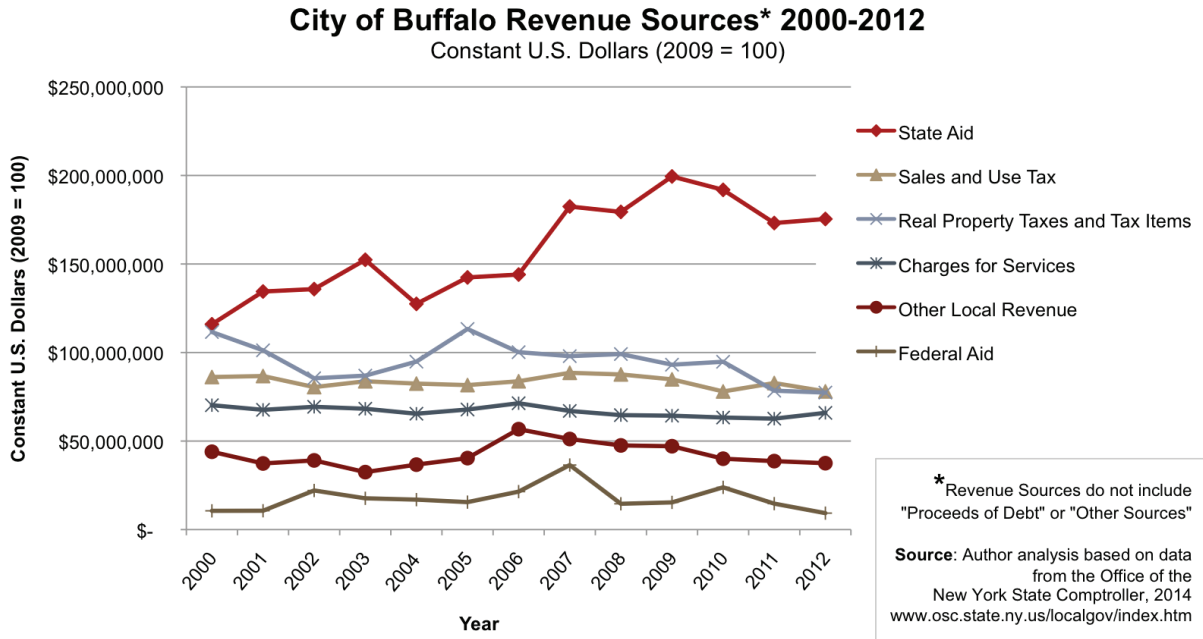


FIGURE 6: Selected sources of expenditure by source for the City of Buffalo from 2000-2012

Note: All amounts are in 2009 constant dollars.

